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Poultry and Products

Opportunities for U.S. Exports in Southeast Balkan Region

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Report Highlights:

Demand for poultry and products in Southeast Balkans maintains its upward trend, powered by increasing incomes throughout the region. United States poultry prices are generally competitive and stabilized at lower levels in 2002. The United States is consolidating its market share in most countries, becoming a steady supplier of relatively low-priced products, such as frozen broiler leg quarters.

Includes PSD changes: No
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TABLE OF CONTENTS

U.S. Poultry Exports Continue Upward Trend	Page 2 of 7
Table 1. U.S. Poultry Meat Exports in the South East Balkan Region ('000 US\$)	
.....	Page 2 of 7
Table 2. U.S. Poultry Meat Exports in the South East Balkan Region (MT)	
.....	Page 3 of 7
Table 3. U.S. Exports of Frozen Cuts (HSC 0207 14) in the South East Balkan	
Region ('000 US\$)	Page 3 of 7
Most-Favored-Nation Duties and Regional Preferences	Page 4 of 7
Local Production Slowly Recovers	Page 5 of 7
Table 5. Poultry Production and Consumption in the South East Balkan Region,	
CY 2001 (MT)	Page 6 of 7
Sanitary and Veterinary Requirements	Page 6 of 7
Labeling and Packaging Requirements	Page 7 of 7

U.S. Poultry Exports Continue Upward Trend

Opportunities for U.S. exports of poultry meat, especially for relatively low-priced products like frozen broiler leg quarters, continued to expand in the Southeast Balkans region in 2002, as shown in Tables 1 and 2 below. In value terms, broiler leg quarters (HSC 020714) account for the bulk of these exports, totaling over 90 percent (in Yugoslavia and Albania even 100 percent) while chicken offal and turkey parts make up the difference. Although the volume of exports to the region increased by almost 28 percent in January-September 2002 compared the same period in 2001, the value of poultry exports was roughly the same during the two periods, as prices deteriorated, initially triggered by the Russian ban on U.S. poultry.

Discrepancies among different countries are important: U.S. export data shows a decrease of almost 80 percent in Bulgaria and an increase of more than 800 percent in Yugoslavia. However, these are two extreme cases, as a significant share of poultry imports reportedly being traded on the black market in Bulgaria (as a result of a substantial 74 percent MFN duty rate on frozen chicken parts). In Yugoslavia, the increase reflects the recovery after the recent conflict in Kosovo.

Table 1. U.S. Poultry Meat Exports in the South East Balkan Region ('000 US\$)

	1999	2000	2001	Jan-Sept 2001	Jan-Sept 2002	% change
Albania	3,291	5,412	2,476	2,115	1,010	-52.2
Bulgaria	1,763	3,416	8,816	7,495	1,596	-78.7
Macedonia	1,030	8,213	7,782	5,450	4,622	-15.2
Moldova	50	470	9,263	5,449	7,314	34.2
Romania	1,825	4,952	11,748	9,548	14,697	53.9
Yugoslavia	119	272	785	84	764	809.5
Totals	8,078	22,735	40,870	30,141	30,003	-0.5

Source: U.S. Customs

Table 2. U.S. Poultry Meat Exports in the South East Balkan Region (MT)

	1999	2000	2001	Jan-Sept 2001	Jan-Sept 2002	% change
Albania	6,277.60	8,770.40	2,472.20	2,016.20	2,296.90	13.9
Bulgaria	2,926.30	5,761.80	9,898.60	8,505.70	1,577.00	-81.5
Macedonia	1,173.60	14,120.90	11,063.00	8,049.90	8,682.60	7.9
Moldova	96.5	679	12,445.60	8,073.40	13,344.20	65.3
Romania	2,417.10	8,745.10	16,835.30	14,055.30	24,420.20	73.7
Yugoslavia	237	746	1,065.10	94.9	1,821.00	1818.9
Totals	13,128.10	38,823.20	53,779.80	40,795.40	52,141.90	27.8

Source: U.S. Customs

Table 3. U.S. Exports of Frozen Cuts (HSC 0207 14) in the South East Balkan Region ('000 US\$)

	1999	2000	2001	Jan-Sept 2001	Jan-Sept 2002	% change
Albania	2,754	4,517	2,458	2,097	1,010	- 51.84
Bulgaria	1,680	2,628	7,574	6,482	913	- 85.91
Macedonia	808	8,105	7,083	4,960	4,115	- 17.04
Moldova	50	470	9,086	5,311	7,210	35.76
Romania	1,364	4,827	10,682	8,794	13,510	53.63
Yugoslavia	57	272	785	84	764	809.5 2
Totals	6,713	20,819	37,668	27,728	27,522	-0.7

Source: U.S. Customs

For this report, Yugoslavia represents Serbia (which includes the Republics of Kosovo and Montenegro). Thus, trade data refer to amounts shipped to the Federal Republic of Yugoslavia, though the three regions have different import schedules and duties. In fact, imports occurred just to Kosovo and Montenegro, since veterinary-sanitary limitations prevent exports of U.S. poultry meat to Serbia.

Most-Favored-Nation Duties and Regional Preferences

Tariff and non-tariff protection policies for poultry products vary substantially within the region, in many instances with significant impact on trade (e.g., Bulgaria, for which FAS Sofia estimates that half of the U.S. originated poultry is smuggled into the country). WTO members may apply very high binding tariffs such as the case of Romania, which allowed to go up to 108.8 percent according to its developing country status in the WTO. Applied protection is, however, much lower, especially because of the existing regional trading blocs such as the Central European Free Trade Area (CEFTA).

Macedonia concluded WTO accession negotiations and is expected to start implementing its commitments. For poultry meat, its bounds rates range between 22-27 percent, with no quantitative restrictions permitted.

Moldova charged 22 percent plus 126 Euro/MT (but not more than 27 percent) on poultry products in 2001, while for 2002 the Moldovan Parliament approved 15 percent maximum.

EU candidates Bulgaria and Romania grant preferences to poultry meat imports from the member countries, as part of their "Zero for Zero" agreement. Similarly, their partners from the CEFTA, namely the Czech Republic, Hungary, Poland, the Slovak Republic, Slovenia, and Croatia, enjoy lower duties and preferential quotas (Table 4). In 2001 Yugoslavia and Slovenia concluded a Free Trade Agreement, which contributed to increased poultry imports into Yugoslavia.

Table 4. Applied Duty Rates on Frozen Chicken Parts (HSC 020714) in 2002

	MFN tariff (%)	CEFTA Tariff (%)	EU Tariff (%)	EU Quota (MT)
Albania	20	n.a.	n.a.	n.a.
Bulgaria	74	25	68	1000*
Macedonia	27	n.a.	n.a.	n.a.
Moldova	15	n.a.	n.a.	n.a.
Romania	45	n.a.	45	3450*
Yugoslavia	30	28	n.a.	n.a.

* These duty-free quotas are part of the "Zero for Zero" agreement and are to be annually increased.

Trade data show record poultry imports in 2002 in value terms within the region, led by large increases in Romania and Moldova. In Bulgaria, high MFN duties impede imports and push transactions in the "grey" sector, with importers seeking ways to avoid payment of duties and fees.

There are three major entrance gates for imported poultry in the region: Rotterdam (The Netherlands), Thessalonika (Greece), and Constanza (Romania). From Thessalonika imported poultry meat is being mainly shipped by truck to Bulgaria, Yugoslavia, Albania, and Macedonia. From Constanza, frozen poultry parts and offal (in most cases) are distributed through cold storage to major urban areas in Romania and Moldova for retailing in stores. New cold storage facilities were set up in Constanza and Tulcea, and similar investments are expected soon.

Local Production Slowly Recovers

After poultry stocks bottomed out in the '90s, mainly as a result of structural reform measures and regional hostilities, the industry seems to be on the road to recovery in the South East Balkans. This is particularly true for Romania and Bulgaria, the largest countries in the region, with strong production potential, which are also candidates to EU integration and consequently recipients of pre-accession structural funding. Growing incomes positively impact on improving diets in terms of animal protein intake and thus contribute to raising import demand for fresh poultry meat. While the United States continue to be a leading poultry supplier, with promising prospects for 2003.

A large share of domestically produced poultry meat throughout the region comes from individual households and, in fact, is not part of the commercial output. Though improving, commercial poultry production is still inefficient by world standards, which make domestic producer groups very active in lobbying governments for more protectionist trade regimes. Adopting EU practices requires poultry producers and processing plants to upgrade their capital, food quality and safety regimes; and also upgrade their animal welfare and environmental standards.

Commercial poultry production is consolidated in large scale units, particularly in Serbia and, Romania, but oriented solely towards domestic consumers. Very few plants, however, are approved to export to western markets, and thus special access (in the form of Tariff Rate Quotas) offered by EU to its associate countries (Bulgaria, Romania) are chronically unutilized. Yugoslavia is selling some poultry products to Bosnia and Herzegovina.

The very high share of "backyard production" for self-consumption is a common trait of all the countries in the region. Backyard production is a threat to the development of efficient production units, since it is often a vector for serious poultry diseases.

Table 5. Poultry Production and Consumption in the South East Balkan Region, CY 2001 (MT)

	Production	Consumption
Albania*	4,500	15,000
Bulgaria	108,000	120,000
Macedonia*	6,000	9,000
Moldova	19,000	30,000
Romania	194,000	251,000
Yugoslavia	71,000	76,000

* Unofficial USDA estimates, CY2000

Nonetheless, consumption patterns are changing as incomes increase. National statistics report annual per capita consumptions of 12 kilos in Romania, 15 kilos in Bulgaria, 8 kilos in Yugoslavia, with a steady raising trend. Some sophistication in consumer preferences (white chilled meat attractively packed and labeled) is also visible in the higher income countries, especially for the wealthier population segments. Prices for chicken breast meat is not very much different from the one for leg quarters, as the average consumer is not concerned about low fat, low cholesterol products.

Demand for the low-priced products (like frozen whole birds or leg quarters) remains high in the region and thus U.S. poultry continues to be very competitive, especially since prices declined began to stabilize in 2002.

Sanitary and Veterinary Requirements

Poultry meat and products, chilled and frozen, are eligible for exports to Romania and Bulgaria under health certificates bilaterally negotiated with United States in 2002, as reported by AgBucharest in #RO2008, and Ag Sofia in #BU2016. These certificates are valid at least until the two countries become EU members.

The Yugoslav Veterinary Service currently does not accept the USDA/FSIS veterinary export certificate. U.S. poultry was allowed via repeated derogations into Montenegro, though there is no health certificate mutually accepted by the two parties. U.S. poultry certificates are accepted in Kosovo by the local authorities.

The FSIS certification is also generally accepted in the other countries in the region, including Albanian, Macedonia and Moldova.

Labeling and Packaging Requirements

Bilingual labels are required on all products to be exported to SE Balkan countries, providing basic information on the product:

- product name;
- name and address of exporter;
- name and address of importer;
- production and expiration date;
- net weight;
- storage recommendation (for frozen products: to be stored at minus 18 degrees Celsius; it is forbidden to defrost and re-freeze the product).

U.S. broiler leg quarters are, most commonly, shipped in bulk (i.e. 4x10 lbs); also in layer pack. Romania recently adopted regulations on poultry packaging of poultry meat which significantly change the way U.S. poultry exporters package and market their products in this country. Poultry cuts are forbidden to be wholesaled or retailed in bulk. The new regulation entered into force November 23, 2002, requiring the U.S. industry to react quickly to meet the new requirements.